S. HRG. 101-674
Part 2

U.S. CHEMICAL EXPORTS TO LATIN AMERICA

HEARING

BEFORE THE

SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

CHEMICAL EXPORTS BY THE UNITED STATES TO LATIN AMERICA

PART 2

AUGUST 1, 1990

Printed for the use of the
Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PRINTING OFFICE

34-903 O WASHINGTON : 1990

S261-9

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

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U.S. CHEMICAL EXPORTS TO LATIN AMERICA

WEDNESDAY, AUGUST 1, 1990

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION,
SUBCOMMITTEE ON FOREIGN COMMERCE AND TOURISM,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:30 p.m., in room SR-153, Russell Senate Office Building, Hon. Richard Bryan (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Loretta Dunn and Ivan Schlager, staff counsels; and Fiona Branton, minority staff counsel.

OPENING STATEMENT OF SENATOR BRYAN

Senator BRYAN. This subcommittee hearing will come to order. I would like to first preface my comments by apologizing to the witnesses and those in attendance for the delay. We had, as I am sure you have previously been informed, two back-to-back votes. I thought it made more sense to proceed in an orderly fashion rather than to interrupt the presentation of anyone's testimony. We shall try to do so.

The hearing that we are having today is the second in a series of hearings scheduled by the Commerce Committee to look into the question of chemical exports to South America. As you will recall, in February at our first hearing the Committee focused on U.S. chemical exports and the implementation of the Chemical Diversion and Trafficking Act.

The Chemical Diversion Act was part of the Antidrug Abuse Act of 1988 and its regulations on the exports of precursor and essential chemicals became effective on November 1, 1989.

The Chemical Diversion Act covers 12 precursor chemicals, chemicals which are incorporated into drugs and 8 essential chemicals, chemicals that may be used in the process of drug manufacturing.

Exporters of these chemicals must clear their customers in advance with the Drug Enforcement Administration, or give the DEA 15 days' notice prior to shipment. The DEA has the authority to stop a shipment if they have reason to believe the customer does not have a legitimate need for the chemical.

Mr. Gene Haislip of DEA will be our first witness today. I would like to commend him and his staff on the fine work that they have done in implementing the provisions of this Act. We have made substantial progress. Exports to South America from the U.S. of the essential chemicals used to make cocaine are down from 90,000 metric tons to 40,000 metric tons.

Although it is too soon to pat ourselves on the back, the testimony that Mr. Haislip will outline later this afternoon gives cause for optimism on some fronts and concerns in other areas. At this hearing we will also focus on the efforts, or lack thereof, in other countries to control chemical diversion.

In June, the Organization of American States approved a model regulation on chemical diversion which obliges all of those who manufacture, trade or use the 15 precursor chemicals listed to obtain an express permit from their Government.

We are very pleased to have with us this afternoon Mr. Ignacio Gonzalez of the OAS and the Chairman of the Group of Experts who drafted this model regulation. Mr. Gonzalez will discuss the work of OAS on this issue and will also discuss the U.N. Convention on Illicit Drugs.

America and her Latin American neighbors cannot do this job alone. The cocaine cartels will not be choked off if Western European sources of these vital chemicals continue to flow freely. The United States Congress did not pass strict controls on American chemical producers only to see their West European producer-competitors reap immense profits as a consequence.

There is reason to be concerned about European exporters. Recent press accounts indicate that West German exports have gone up considerably since the American chemical diversion law went into effect. While there is some reason to believe that the Federal Republic will be responsive to our concerns, I am still concerned about the lax attitude of a number of our European allies.

The proposed directive under consideration now as part of the EC 1992 program will subject only a few—and I emphasize only a few—precursor chemicals to notification and seizure, and essential chemicals such as potassium permanganate and methyl ethyl ketone will not be covered by the directive at all.

The lack of an effective chemical control policy for the EC will leave European companies free to pick up the slack left by effective controls in other countries. In fact, we have already seen circumstantial evidence of this occurring. European shipments to Columbia of essential chemicals increased from 11 million pounds in 1988 to 35.2 million pounds in 1989.

The U.S. Senate recently included a measure in the omnibus crime bill, co-sponsored by Senator Mitch McConnell, Senator John Kerry and myself, which calls for the administration to enter into negotiations on controlling foreign sources of chemicals necessary for the production of cocaine.

The legislation provides the President with power to ban foreign producers of chemicals from the American market if they do not assist the United States effort to control these critical chemicals. The European chemical producers will have a stark choice: help us control the flow of drugs and chemicals to the cartel, or sacrifice the American market. For in the final analysis, the American people do not want either American firms or foreign-based firms aiding and abetting America's $100 billion cocaine habit.

As I noted in our February hearing, it is critical that all nations work together on this problem. The President and the Congress must insist that countries ratify the U.N. convention and enact—I

repeat, enact—strong and comprehensive laws. As Senator Hollings put it, we cannot just dam half the river.

To begin our testimony this afternoon, it is my pleasure to invite to join us Mr. Gene Haislip. Mr. Haislip, if you would, take your seat, please, and I will ask him to be joined by Mr. Andrew Thoms of the State Department.

I have a statement that Senator Hollings would like to have included in the record.

[The statement follows:]

OPENING STATEMENT BY THE CHAIRMAN

I want to commend Senator Bryan for scheduling this second hearing on chemical exports to Latin America. We signed an international convention in 1988, with respect to the export of chemicals going into the manufacture of drugs. Since that time only the U.S. has enacted a strict chemical control law.

The regulations implementing that law went into effect on October 31, 1989, only nine months ago. There has been a marked diminution of shipments to Colombia and to other Latin American countries.

However, shipments from the EC to Latin America tripled from 1988 to 1989, and the trend continues. The United States cannot just dam half a river, restricting the exportation of these chemicals that get into the hands of the drug lords. On the contrary, we have to make sure all other countries participate, not only regarding shipments into Latin America but into Thailand and the Golden Triangle.

Senator BRYAN. Gene, if you will, please proceed and share with us our progress, or lack thereof, and provide us an up-date on what has happened since the last time you appeared before the Subcommittee for our testimony.

STATEMENT OF GENE R. HAISLIP, DEPUTY ASSISTANT ADMINISTRATOR, OFFICE OF DIVERSION CONTROL, DRUG ENFORCEMENT ADMINISTRATION, DEPARTMENT OF JUSTICE; ACCOMPANIED BY ANDREW G. THOMS, DIRECTOR, OFFICE OF TRANSNATIONAL AFFAIRS, BUREAU OF INTERNATIONAL NARCOTICS MATTERS, DEPARTMENT OF STATE

Mr. HAISLIP. Thank you, Senator. If I may, first I would like to introduce my colleague who has joined me at the table, who may be valuable in responding to some questions which the Subcommittee may have, and that is Mr. Andrew Thoms of the Department of State, the Office of Narcotics Matters, who has worked very closely with DEA on the issues that are before the subcommittee.

Senator BRYAN. Mr. Thoms, it is a pleasure to have you with us this afternoon as well.

Mr. THOMS. Thank you, Senator.

Mr. HAISLIP. First, if I may, I would like to say that we are extremely pleased to have the opportunity to appear before this subcommittee, because this subcommittee has been vital in the programs which we are attempting to pursue.

I think the previous hearing that was held was extremely instrumental in highlighting the needs that we have, both at home and abroad, in trying to deal with what is a very complicated and difficult problem of the diversion of chemicals into the illicit traffic for the manufacture of the illegal drugs which are such a plague on our society, and increasingly so in all other societies of the world.

So the subcommittee's work with us in this we regard to be extremely important.

I have submitted a statement for the record, but, with your permission, Mr. Chairman, I would like to summarize it briefly in my own words if I may.

Senator BRYAN. Mr. Haislip, your written testimony has been submitted and received. It will be made a part of the record. And I invite you to make any comments with respect thereto, or anything that you might want to comment on that may not have been included.

Mr. HAISLIP. Thank you, sir.

Well, first, I would like to update the Committee with regard to the situation that we are now confronting. We have six months additional experience in administering our law, especially with regard to the export provisions. And we are also at the midpoint of our first year of this effort. And so I think we have a measure of experience now that we were lacking at the previous hearing. And I think that we have some progress to report to you that is extremely significant.

But, by the same token, we have some major problems which I think it is important that the Congress be informed of at this time.

First and foremost, I would like to deal with the problem of the diversion of chemicals into the production of cocaine because the cocaine problem is such a severe one. Certainly, it is the largest single drug problem we have to deal with in the United States, and an increasing problem, both in Europe and in Asia as well. And so, first, I would like to address my remarks to what is occurring in the situation there.

And with regard to that, a major focus of our program has been in Colombia, because there is a vast inflow of chemicals previously from the United States and other countries into Colombia where most of the final processing of cocaine occurs prior to its smuggling into the United States and other countries. For that reason, it has been a major focus and we have some of our best data there as a result of the cooperation with that government.

And I would like to show you what is occurring. I have some charts, which, if I may, I would use them.

Senator BRYAN. Mr. Haislip, while we are waiting for the charts to be displayed, would you refresh our memory and put it into the record what percentage of the cocaine consumed in the United States is estimated to have been produced in Colombia?

Mr. HAISLIP. I would say, Senator, that probably in excess of 90 percent of the cocaine is finally processed in Colombia, even though much of it is processed in some earlier stage in Peru or Bolivia and other countries. But the vast majority of it is finally processed in Colombia prior to its export for smuggling into this country. Which is why we have made an emphasis there.

Mr. HAISLIP. The chart that I have before you shows the exports of the chemicals that are principally involved in the processing of cocaine from the United States for the calendar years 1988, 1989, and a projection for 1990, based upon one half year of data that we now possess.

What you can see from this is a decline in exports from the United States, most especially, a very precipitous decline of over half, occurring in 1990, which is a direct result of the application of the Chemical Diversion and Trafficking Act. Most especially be-

cause, as a result of our investigations of customers in Colombia we have disapproved most of those customers.

Senator BRYAN. Mr. Haislip, for the benefit of those who cannot see the chart, if you would just read those three numbers, the 1988 bar graph, 1989, and 1990 figures. I think that makes the case that you are arguing for.

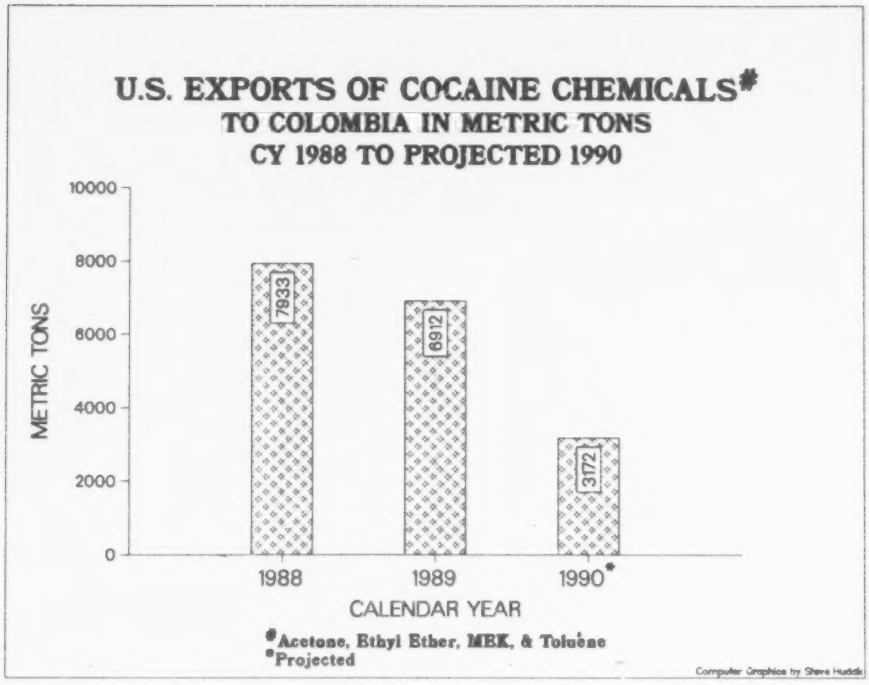
Mr. HAISLIP. Yes, Senator, I will do that. For 1988, there were 7,933 metric tons of these chemicals exported from the United States to Colombia. In 1989, that figure declined slightly to 6,912 metric tons. But the big drop occurs this year as a result of the measures we have taken under the new law. And we project that will be approximately 3,172 metric tons, which is very nearly a 60-percent decrease in exports which has occurred in a very short period of time.

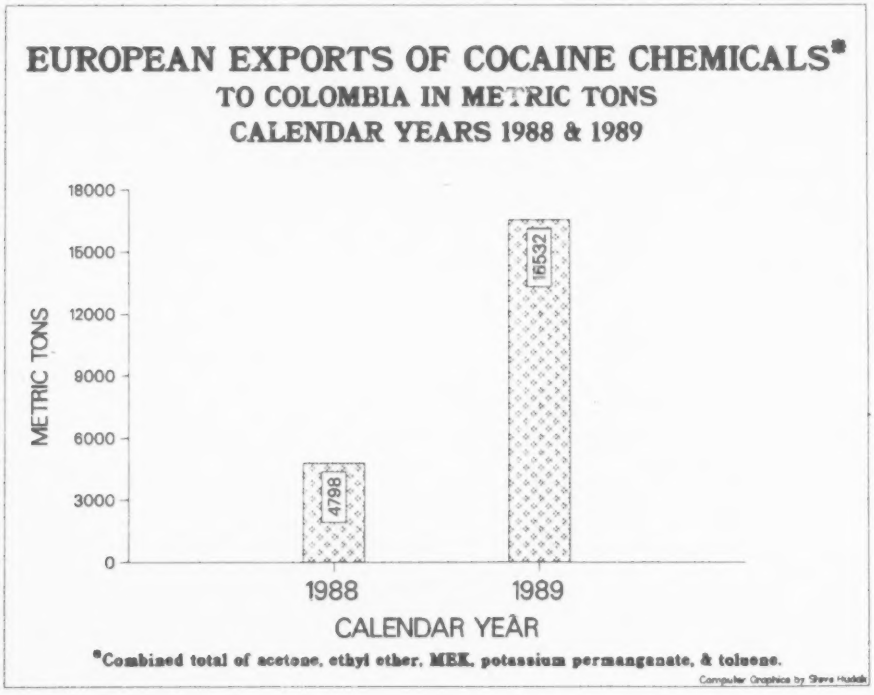
I think that this is a measure of progress under our new law. But, by the same token, I am afraid it has not produced the results that we wanted. And that has been because, as we have applied our law and exports have declined from the United States, there has been a corresponding increase, in fact, a very great increase, in the imports into Colombia of these same chemicals from other sources, virtually all of which came form Western Europe.

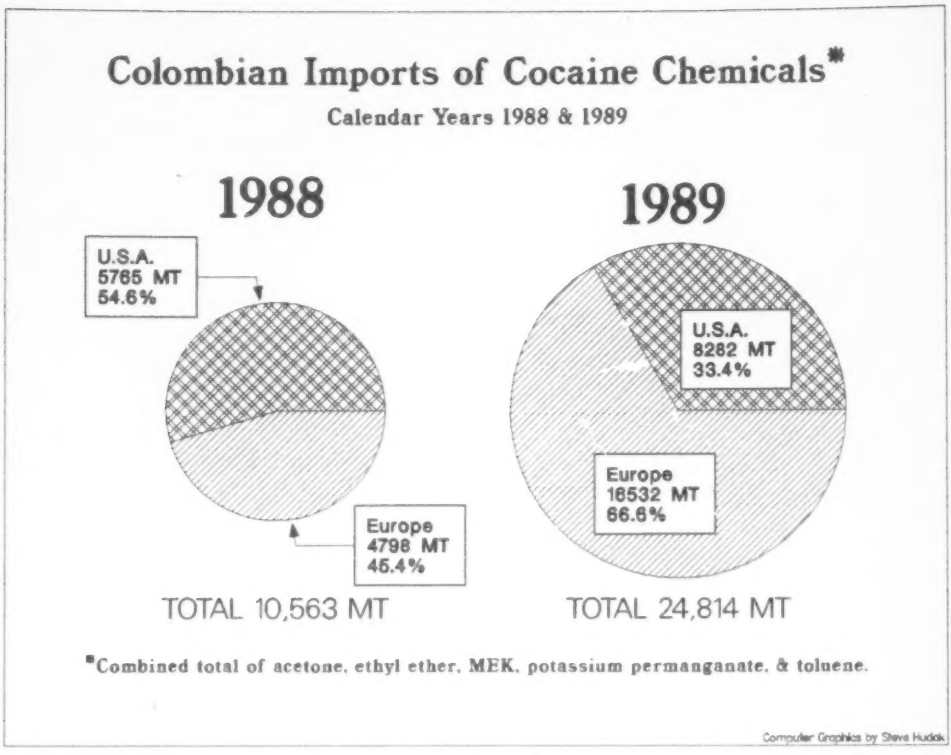
The next chart will show this situation. Based on the two years of data that we have, which is derived from official sources available to us from the Colombian Government, you see that in 1988 from European sources there were imported into Colombia 4,798 metric tons of these chemicals. But in 1989, that figure increased to 16,532 metric tons of material from Western Europe.

The next chart I think is important, although it contains essentially the same data. It does show a different aspect of it because it gives us a percentage comparison. This is a comparison of total imports by source for 1988 and 1989. The first thing that you can see is this a chart with two pie charts on it. For 1989, total imports of these chemicals from all sources into Colombia increased so much that it more than doubled. It increased 2.4 times, which of course there could be no legitimate explanation for.

[The charts follow:]


U.S. EXPORTS OF COCAINE CHEMICALS*
TO COLOMBIA IN METRIC TONS
CY 1988 TO PROJECTED 1990
METRIC TONS
10000
8000
6000
4000
2000
0
7933
6912
3172
1988
1989
1990*
CALENDAR YEAR
*Acetone, Ethyl Ether, MEK, & Toluene
*Projected
Computer Graphics by Steve Huddle


EUROPEAN EXPORTS OF COCAINE CHEMICALS*
TO COLOMBIA IN METRIC TONS
CALENDAR YEARS 1988 & 1989
METRIC TONS
18000
15000
12000
9000
6000
3000
0
4798
16532
1988
1989
CALENDAR YEAR
*Combined total of acetone, ethyl ether, MEK, potassium permanganate, & toluene.
Computer Graphics by Steve Huddle



Senator BRYAN. And this is just for Colombia alone?

Mr. HAISLIP. Just to Colombia, yes.

Senator BRYAN. So, again, to repeat, if you add the American shipments, plus the European shipments, you get an increase that is beyond any reasonable legitimate growth in industries which require some of these chemicals?

Mr. HAISLIP. That is correct. It is not possible to explain these figures based on any legitimate consideration. The increase from 1988, 10,563 metric tons, to 1989, 24,814 metric tons. But I think it is important to note the market shares. You see that in 1988, the United States supplied 54.6 percent of the total. Actually, we believe that this figure is high, and we have some reasons for believing that.

Nevertheless, Europe supplied only 45 percent. But, in 1989, the U.S. share dropped to 33.4 percent, whereas the European share increased to 66.6 percent of the total. So that in 1989, for the first time, based on our intelligence, Western Europe became the principal supplier of the chemicals imported into Colombia, which are principally used to process cocaine.

That, I think, is a very dramatic change which has occurred. The consequence is, of course, that our work has not been effective in really stopping the flow of chemicals into the illicit traffic. It has only been effective in reducing the flow of those chemicals from the United States, and there has been an overall increase.

I would like to explain a little bit about how this increase from Europe occurs and what we think it means and what the reaction we are seeing to it is. What we discover is that all of these shipments from Europe came from brokers and suppliers and not directly from manufacturers of chemicals.

Senator BRYAN. Mr. Haislip, you and I have talked about that before, but for the record can you describe the function of the broker, the function of the manufacturer and the function of the ultimate consumer under this illicit pattern that you are outlining for us?

Mr. HAISLIP. Yes, I can.

The brokers are businesses that exist in the major ports in Hamburg and Rotterdam, also in the U.K. and other countries, which are simply businesses that receive the order for these chemicals from the individuals in countries such as Colombia and then, in turn, place an order with a manufacturer who can be anywhere in Europe for the commodity. The manufacturer does not know who the chemicals are for. It is only the broker who has this knowledge. The manufacturer forwards the material to a major European port under instruction from the broker, and it is the broker who arranges for the export of the chemicals to the customer.

Now in these cases it is customary for the broker to have no knowledge of the customer or the business represented. They have no duty to inquire into the nature of the customer. They do not make such inquiries. They customarily do not know, and I think in many cases where they are receiving payment they do not care. We have cases where clearly they did not care but there was reason to have suspicion because they would be paid in cash in a suitcase.

So in any case, the broker does not know, does not inquire, is not required to know and ships the chemicals. What we find is that a great many of the chemicals are shipped to customers in Colombia who do not have permits for the import of the material as they are required or who do not represent legitimate businesses but may simply represent a so-called front company that has been established principally to import chemicals just for the major cocaine cartels in Medellin and Cali. This is the manner in which this diversion of chemicals occurs.

Now we have looked at the sources of chemical manufacture around the world, and it is no secret that Western Europe, like the United States, is a major center for the manufacture of these chemicals. There are major manufacturers in France, Germany, United Kingdom, the Netherlands, Italy, to some extent in Spain, Denmark, and Finland and other countries.

We have talked with the German national authorities about this problem. They have undertaken investigations within their own country, and it seems clear that in many cases, not all but many, these chemicals, even though shipped from the Federal Republic of Germany, were actually obtained from other sources within Europe. This is a matter we are continuing to investigate, but the evidence seems clear that this undoubtedly occurs quite frequently, and all of these sources in Europe are potential, if not now actual, sources of this diversion.

I would like to describe the reaction of European governments to this problem, and I think we are here fortunate to be able to report

some major progress that has occurred especially with regard to discussions that we have had with the Federal Republic of Germany. This is a matter in which our State Department has assisted the Drug Enforcement Administration and also a matter which Attorney General Thornburgh has personally discussed with the German Minister of the Interior and others.

As a result of these discussions, the German Government has made what I believe is a firm decision to impose controls in that country on this kind of commerce similar to and as effective as those of our own country. So I think that we will see there a basis for partnership and control by ourselves and the German Government which will be an extremely powerful engine for driving this situation and bringing about ultimate worldwide control.

Although this is a very favorable development, in other areas we are extremely concerned. Quite recently, late in June, there was a major conference of enforcement authorities which occurred in Brussels at which 41 countries were represented, including many governments from this hemisphere as well as the United States. The OAS was represented as well as Interpol and various U.N. agencies.

The problems which surfaced there show that there is still a lack of understanding of the seriousness of the problem and the nature of European involvement on the part of many governments. This takes the concrete form in terms of a proposed directive that is now under consideration by the European Community headquarters in Brussels. The staff in Brussels is making a very thorough study of these problems, and I believe they want to be responsive. Of course, they have to reflect the sentiments of the European governments involved as members of the European Community.

In many cases we find there is a reluctance on the part of those governments to undertake controls with regard to what we call the essential chemicals, those that are used to manufacture cocaine and heroin. As a consequence, there is now a formal proposal pending before the European Community which, although it does propose significant controls with regard to precursors used for amphetamine manufacture, the controls in this area with regard to cocaine are essentially voluntary.

They are recordkeeping controls. There are no requirements for registering or examining exports of these materials, and we believe that it is impossible that such a scheme can be effective in view of the investigations that we have had of cases involving actual diversion of chemicals from Europe, cases in which we know that brokers had suspicion or actually helped facilitate the diversion or in any case were indifferent and ignorant as to the nature of the customer.

Senator BRYAN. Are these at the staff level at this point, Mr. Haislip?

Mr. HAISLIP. No. This is a formal proposal that will go before the European Council of Ministers in the near future. Our hope is that at that stage it will be reconsidered and that these controls will be strengthened, because I think at the moment many European governments are now in the process of deciding how they should implement the new treaty obligations with regard to chemicals.

Of course, such a directive will be extremely influential on their attitudes. For that reason I think it is an extremely important undertaking, and we are very hopeful that our colleagues in Europe, our allies there and especially those in partnership with us on this issue such as the Federal Republic of Germany and elsewhere will help achieve a more meaningful mandatory control than is now being proposed.

I would like to say simply that we are speaking of cocaine, but the same could be said also of the diversion of acetic anhydride for the production of heroin.

I am afraid that without these controls in Europe similar to those of the United States, the efforts of the United States Government and now the efforts of the Government of Germany cannot be effective in cutting off the source of these chemicals to the cocaine traffickers.

We will simply have put our industry at a competitive disadvantage by imposing controls while others operate freely without such controls and the traffic continues to obtain its chemicals, the imports into Colombia and other South American countries continue to escalate, and we will not have achieved the result which we had hoped and which we know is possible.

Mr. Chairman, I have two or three other points that are related to the issue that I would like to cover having to do with other aspects of the problem if I may proceed at this time.

Senator BRYAN. You might want to touch upon our hemispheric relations and the kind of cooperation we are getting there, Mr. Haislip.

Mr. HAISLIP. I will certainly do that because that is one of the points that I want to mention.

First let me say, however, that there are problems even with regard to our own export activity that still concern us. We have a record to be proud of, but it does not mean that we are free of problems.

Based on the trends within the last six months, we see what appears to be an increase in the export of certain chemicals used for cocaine production to at least three significant countries in South America. At this time we are going to undertake some measures to try to deal with this before it actually happens because we are talking about trends, but the trends are clear.

We are sending specific instructions to our field forces to undertake particular investigations in those countries, of customers for U.S. chemicals, and I will inform our exporters of the need for more thorough and detailed documentation of the legitimate need for these chemicals. In the absence of such documentation and explanation, we are going to have to assume that much of this commerce is actually being diverted into the drug traffic.

So we do have areas of our own commerce that we still must address, and we want to address them now before these increases become a reality at the end of the year. I can respond to more questions on this if you have them at a later time.

There are some other areas of very notable progress that I want to mention, though. Among those is the work of the Organization of American States. I know you have a witness, a distinguished colleague of mine who is going to testify with regard to this shortly,

but I would like to say that the United States participated with other OAS members in considering this very technical important issue of chemical control.

The result of this, I think, is a piece of model legislation that is now before all of the governments of this hemisphere and which will also serve as a model for the rest of the world. I would like to point out that the OAS also participated in the conference I mentioned in Brussels where they spoke very effectively for the need for an international approach to control of these chemicals and not simply a regional or hemispheric approach. So I think we can all applaud this important work by the OAS of which you will hear more shortly.

Another thing that I think is worth mentioning is that our own State Department with assistance from the DEA has negotiated a series of important bilateral agreements with the Andean countries as a result of the Cartagena summit which will not only establish greater cooperation between our governments but will also provide a firmer basis for those countries, countries such as Peru, Colombia, Bolivia, Ecuador, Panama and others, to establish more effective controls over imports within their own countries. I think that is an important development.

Finally, as a result of the work of our diplomats at the so-called Houston summit of the industrialized countries it has been determined that a task force on chemicals will begin and be organized under the sponsorship of the United States in an effort to address these questions worldwide as well. Mr. Thoms, my colleague here from the State Department, can also respond to these areas if you wish to inquire further.

The last thing that I would like to note in my rather long statement, which I am trying to make brief, is that we have also seen what appears to be some very significant progress within the United States regarding clandestine laboratories for the manufacture of such drugs as methamphetamines.

These are the figures, and they appear to be very significant. In fiscal year 1989, before this law was effective, the DEA seized a total of 852 clandestine laboratories. This figure has increased for every year that we have kept statistics.

So far, for the first 9 months of fiscal year 1990, we have seized 291 laboratories. It appears to represent more than a 40 percent decrease and the reasons that we are hearing from our field offices is that the crooks cannot get the chemicals. That is the reason. Because of the new law, there is greater surveillance on sales, there is more careful business activity, and these drug traffickers are simply having a hard time getting their chemicals as they were in the past.

That concludes my summary statement, and I will be pleased to respond to any questions you may have, as will my colleague from the State Department.

Thank you.

[The statement follows:]

STATEMENT OF GENE R. HAISLIP, DEPUTY ASSISTANT ADMINISTRATOR, OFFICE OF DIVERSON CONTROL, DRUG ENFORCEMENT ADMINISTRATION, DEPARTMENT OF JUSTICE

Mr. Chairman and Members of the Senate Subcommittee on Foreign Commerce and Tourism: I am pleased to appear before you today to discuss the current situation regarding United States and European exports of cocaine processing chemicals to Latin America and the status of our initiatives in support of strict chemical control legislation in Europe.

We have had approximately nine months experience enforcing the import/export controls of the Chemical Diversion and Trafficking Act (CDTA) of 1988, and we have already seen a significant impact on the role of the United States in supplying listed chemicals to the cocaine producing areas of South America. Most of the cocaine seized in the United States has been processed in Colombia and for this reason shipments of chemicals to Colombia, which are used in the processing of cocaine, have been a special focus of the our control efforts.

From 1988 to 1989, the amount of these chemicals imported by Colombia from all sources more than doubled. However, during this same period, United States exports of these chemicals to Colombia actually decreased from 7,933 metric tons to 6,912 metric tons. We project that 1990 U.S. exports will approximately be 3,172 metric tons, a further decrease of over 50 percent. This is clear evidence that the export controls in the CDTA have been effective and that the clandestine laboratory operators have had to turn to other sources for their chemicals. Unfortunately, these other sources are able to fully

satisfy the needs of the trafficking organizations. In fact, European exports of these chemicals to Colombia increased by over 340 percent in 1989 in comparison to 1988. While we do not have access to 1990 European export data, it must be recognized that there presently exist no legal impediments in any of the European source countries to a continuation of this increased level of exports to Colombia.

In order to remedy this situation, we have undertaken a number of diplomatic initiatives with key European source countries, and I can report that there is a growing recognition in some countries of the need for strict controls on the exports of these chemicals. This is most notable in the Federal Republic of Germany (FRG) which has recently decided to enact such controls. Through the cooperation of the Columbian National Police, we were able to share evidence of increased chemical exports to Colombia with FRG officials. Even prior to the presentation of this data, a number of key German officials were supporting the enactment of strict export controls on chemicals. We presented the documentation which had been received from Colombia at a meeting with FRG officials held in the first week of June of this year in Bonn. During this meeting, the FRG officials made a firm commitment to enact and enforce strict chemical control legislation. Discussions which we have had with Italian officials indicate that Italy is also willing to pass such legislation.

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Also in June, Attorney General Dick Thornburgh used the occasion of the Italian/American Working Group in Rome and our observer status at the Trevi Conference in Dublin to press his European counterparts for aggressive action in implementing chemical controls. Attorney General Thornburgh obtained the assurance of FRG Minister of the Interior Schauble that the FRG would enact strict controls.

Despite this progress, Europe will continue to be the major source of these chemicals until all of its source and transit countries initiate such legislation.

The Council of Ministers of the European Communities is currently considering a directive for the control of precursor and essential chemicals which, if adopted, will be binding on each member country in the EC for adoption as its domestic chemical control legislation. This directive imposes strict controls only on precursor chemicals which are used in clandestine laboratories operating in Europe. This demonstrates that there is acceptance of the concept that chemical control is necessary. This directive is of limited value in controlling chemicals used in the production of cocaine and heroin since, for these chemicals, it relies on voluntary compliance by the chemical industry rather than mandatory export controls. Our investigations show that shippers are often uninformed and indifferent regarding the use to which the chemicals will be put. Moreover, this proposal does not include potassium permanganate and methyl ethyl ketone, two essential chemicals used in the illicit processing of cocaine.

In short, the actions being considered by the EC simply may not be completely effective and may allow those countries which adopt the proposal to continue to be unlimited sources for these chemicals. I emphasize this point because just as the institution of strict chemical control by the United States led to an increase in FRG and other European exports to Colombia, the institution of controls by the FRG may simply force the traffickers to purchase from other European source countries. Europe is capable of fully satisfying the illicit demand for these chemicals, as there are major manufacturers of these products in England, Finland, France, Holland, Italy, Spain and the Federal Republic of Germany. It seems clear that this is where brokers are obtaining the chemicals which they are now shipping to Latin America.

This issue was a central theme of a recent conference on chemical diversion in Brussels, Belgium organized and supported by the Drug Enforcement Administration, the Government of the United Kingdom and the International Narcotics Control Board and hosted by the European Communities. This conference, which was attended by representatives of 41 nations from Latin America, Europe and Asia, focused on the diversion of chemicals used in the production of cocaine, heroin and dangerous drugs. The United States and the Latin American representatives were united in their call for strong European action to control the export of essential chemicals to the cocaine processing areas, and it is important that we continue with diplomatic initiatives to the EC

member states to urge the adoption of strict, effective chemical control measures. I can report that the German Government and the Interpol General Secretariat strongly supported the adoption of such legislation at the Brussels Conference. In our own hemisphere, a great deal has already been accomplished. As a result of extensive work by a committee of experts, the Organization of American States Council of Ministers adopted strict model chemical control legislation at its recent meeting in Ixtapa, Mexico.

I would now like to deal briefly with other aspects of this issue. Despite our success with regard to U.S. exports to Colombia, there are areas of concern to us. Based on an analysis of export data compiled through the first six months of this year, we are projecting increases in U.S. exports of cocaine essential chemicals to several countries in Latin America in calendar year 1990 unless measures are taken now. These projections greatly concern us, as we are not aware of any increased need for these chemicals in the countries involved. We are contacting our country offices in these countries and providing them with specific data on our projections and asking for updates on the firms which are importing these chemicals and on the legitimate need for the chemicals. We are also going to communicate directly with the U.S. exporters involved and ask for specific information on the rising level of these exports and a detailed justification for each additional shipment. Of course, our concern is that the chemicals may be re-exported, either overtly or covertly, from these countries to Colombia and other cocaine processing

areas, and we intend to take all legal measures within our power necessary to insure that this does not happen.

We have been very active in encouraging and supporting chemical control initiatives in other countries in order to increase our ability to deal with such situations. In addition to the Brussels Conference and the OAS model legislation, bilateral agreements have been signed with Peru, Bolivia and Panama which provide for special data sharing and investigational support measures on certain key chemicals used in the processing of cocaine. Similar agreements are presently the subject of negotiation with Colombia and Ecuador. The DEA is the U.S. agency charged with implementing these agreements and we have been working very closely with the State Department during their development and during the negotiations which led to their signing. We see these agreements and the model OAS legislation as clear evidence of the cooperation and recognition of the importance of the chemical issue by Latin America.

Another indication of the growing recognition of the importance of chemicals is that it was a topic at the Houston Economic Summit. The summit attendees agreed that an international task force of concerned countries should be created and the final communique of the summit called for the adoption of effective measures to prevent the diversion of precursor and essential chemicals. While this is encouraging, it must be emphasized that prompt action in this area is essential.

At present, our most immediate areas of concern are the situation in Europe and the need for the assignment of diversion investigators overseas. I have already discussed the European situation and the need for effective chemical control legislation. This is based on the fact that unilateral action by the United States cannot be effective in eliminating the diversion of chemicals. If we are to be successful in denying trafficking access to these chemicals, we need effective chemical control programs in all major source and transit nations, as well as in the nations where the illicit processing laboratories are located. An important element in the development of these programs is the establishment of permanent overseas posts of duty for diversion investigators in selected countries. The additional expertise which our diversion investigators possess in investigating and working with legitimate industry and identifying methods of diversion will make a significant contribution to this effort.

Before I close, I wish to briefly mention the subjects of heroin and the domestic clandestine laboratory situation. It is clear that the heroin problem in the United States is growing as both the supply and the purity of heroin available have increased steadily. This is a matter of great concern and the DEA has initiated specific enforcement actions aimed at heroin trafficking. Although we are continuing to examine the matter, our initial determination is that the United States is probably not the source for the chemicals used in the illicit production of heroin. This fact further underscores the need for European

and Asian source and transit nations to impose controls on these chemicals. Quite simply, at this time it appears that our law will have no impact on heroin production as the United States does not seem to be a significant source of the chemicals diverted to heroin production.

Finally, we are very much encouraged by what is happening within the United States. Our domestic clandestine laboratory situation seems to be undergoing significant change. We have completed the first phase of our domestic survey of chemical firms and we have identified over 2,000 firms involved in the manufacture and distribution of chemicals listed in the CDTA. Phase 2 of the survey involves follow-up on information obtained from these firms to identify additional companies involved in commerce in these chemicals.

An interesting phenomenon which we are witnessing is a sudden decrease in the number of domestic clandestine laboratory seizures. The number of such laboratories seized had been steadily increasing since 1982. Recent figures show 810 laboratories seized in FY88 and 852 seized in FY89. However, during the first nine months of FY90, only 291 laboratories have been seized. We are confident that the reporting and recordkeeping requirements imposed on domestic sources of the precursors chemicals by the CDTA are the primary reasons for this decline. This has made it more difficult for clandestine laboratory operators to obtain these precursors and the price of these chemicals on the illicit market has increased. This is a situation which the DEA is monitoring and we are satisfied that the CDTA has thus far had a significant impact on the ability of domestic laboratories to obtain precursor chemicals.

Mr. Chairman, this concludes my statement, and I would be pleased to answer any questions that you may have at this time.

Senator BRYAN. Mr. Haislip, we thank you very much for that testimony. Before the round of questioning begins, we have been joined by our colleague, Senator Conrad Burns. Let me tender the floor to him for any opening comments he would like to make.

Senator BURNS. Thank you, Mr. Chairman. I have no opening comments. I want to apologize to our witnesses for the hearing's delay. It seems like we are all running a little behind these days. I have no questions, though I might have some comments for the record later on.

This is an oversight hearing, and of course we would like to know what is going on. It is not like the numbers are coming down in our part of the country. With the control outside the boundaries of the United States, we still have big problems.

We appreciate your work. Thank you.

Mr. HAISLIP. Thank you, sir.

Senator BRYAN. Thank you very much, Senator Burns. Let me begin, Mr. Haislip, with a couple of questions of you and then turn to Mr. Thoms for a couple of additional responses. You indicated that concern you have is the level of exports from the United States to other countries in South America, other than Colombia. Could you identify those countries and indicate, if you have any numbers, what those tell us?

Mr. HAISLIP. Yes, I can. I would like to explain the basis for it. First of all, we concentrated on looking at the exports of the chemicals most commonly seized in the jungles. It was three chemicals that we were looking at, principally. The export of methyl ethyl ketone—MEK—acetone and ether, I think was the other. We were less concerned with some of the others.

What we found is that, based on the first half-year, there are significant increases over the previous year in exports to Ecuador, Venezuela, and Brazil. We are especially concerned with regard to the exports to Ecuador because Ecuador is, as it were, a back-door into Colombia.

At this point, we really do not know whether these increases have a legitimate explanation. This is what we have to find out. But we are at the mid-year point, and I can give you some figures on it if you will bear with me for just a moment. I have them.

We are basing our figures on an assumption that the current level of exports would continue. So for example, of these commodities, acetone, ethyl ether and MEK to Brazil, last year the United States exported 1,188 metric tons. If the current rate continues, that would be 2,100 metric tons, a significant increase that we feel we must have explained to us.

But more importantly, looking at Ecuador, what we see is here again, 1,056 metric tons last year, but 2,600 metric tons for this year if the trend continues. More than double.

In the case of Venezuela, last year it was 1,913 metric tons, and if the trend continues as now established, it would be more than 6,000 metric tons. A very significant increase.

Now, I want to emphasize there may be legitimate explanations for this, but I think we are now at the mid-year point and we need to insist upon finding out what those explanations are if we are to permit this level of shipments to continue.

Those are the countries with which we have the greatest concern, and as you can see, we do not have a map but each country is immediately adjacent to the principal production areas, especially Colombia.

Senator BRYAN. Mr. Haislip, changing focus for a moment, you had the chance to work with this act now for nine months. The last time you were with us, the act had been in effect, as I recall, since November of 1989.

Mr. HAISLIP. That is correct.

Senator BRYAN. Can you share with us any provisions that you find to be unworkable, that are too weak? Could you comment on procedures that are required by the act that need to be streamlined, both from your perspective and things that, frankly, from your observation constitute an unreasonable burden upon the private sector; that are not achieving what you had hoped.

Are there other ways to do so without doing violence to our objective, and yet at the same time provide some additional flexibility to those manufacturers which are doing a good job and which you find are being very cooperative with you?

Mr. HAISLIP. Well, I can give you some preliminary thoughts on that. We do not have any legislation proposed at this time, but it is of course an area that we are constantly examining, because there is much legislation before the Congress and I think that we have some outlines of some of the principal problems that we are facing and ways in which they probably could be improved.

For example, it is clear that we need to be concerned about the exports of shipments to certain countries, a fairly small list of countries, far more than others. For example, exports of these chemicals to the Andean countries and their immediate neighbors is far more important for us to examine than exports to other parts of the world—exports to Europe and such as that.

So I think it would probably facilitate our effort, and by the same token perhaps alleviate some of the burdens on industry, if we were able to impose more stringent requirements on exports to those target areas with regard to requirements for advanced notification, for example, and perhaps we could impose lesser requirements on such shipments to other parts of the world.

Now, I think there would be a danger of people trying to take advantage of that by transshipping, but I believe we could cover that if we enacted penalty provisions, special criminal penalty provisions, which would penalize anyone seeking to take advantage of the fact that we are allowing a little bit less control in other areas while more on the others. I think this would be understood within our own industry.

We have had some preliminary discussions, because they understand that we are aiming at some specific problems and some specific areas of the world. They accept the need, I think, for that. It might be a good exchange to have more burden there and maybe less overall. So that is an area.

Another area that concerns us, really, is, we need to have a provision of our own that would relate to brokers who might try to arrange transactions that would never touch the U.S. shores. This is a possibility. We could have brokers here in the United States trying to arrange shipments which would never touch our jurisdic-

tion and thereby evade what we are trying to achieve. I think that is an area that we probably need to address.

There is another kind of mundane problem, but an important one for us, with regard to seizures of chemicals. We need a special way of dealing with chemicals, when we seize hundreds of tons of chemicals, what to do with them.

We do not really have facility or money to store those chemicals. We need permission to sell those chemicals, and if someone contests our seizure, let the fight be about the money rather than the chemicals, because we cannot really store hundreds of tons of chemicals. It is a special problem, but for us it is an important one.

There are a couple of things that I might mention within the United States. We now have several cases in which we discovered that illegal manufacture of methamphetamine is being done using ephedrine tablets. Now, they buy these tablets by the thousands, maybe tens of thousands, and it is ephedrine and they use the ephedrine to synthesize methamphetamine.

Right now, of course, our law specifically excludes tablets—anything that has been manufactured as a pharmaceutical.

Senator BRYAN. So they are purchasing these from pharmaceutical companies? Is that the idea?

Mr. HAISLIP. From suppliers. You know, if you pick up some of these publications that cater to drug abusers and those interests, you often see in "High Times" and other publications advertisements for the sale of these stimulant tablets, and they are able to supply large quantities, and it is really ephedrine in them, and what we find is that there are cases in which drug traffickers now are buying these tablets in large quantity to manufacture methamphetamine.

I did not know that we would face this. I was hoping we would not. But it looks like we are, and of course that is an exception to the law that we now have. I think—I know that there is a proposal before the Senate for registration of distributors. I would say that in the case of precursor chemicals, purely domestic transactions, that might have some value. We would like to look at that.

It might be an additional, powerful tool to have that kind of power, but I think it is something that relates to the domestic traffic and domestic sales, and really not to exports at this time, because we do have special export authority that is quite powerful.

Well, those are some preliminary thoughts that we have, but perhaps they will provide you, or at least show that we are thinking about the problem and try to get into position to respond when we have to.

Senator BRYAN. Mr. Haislip, we would appreciate it if you would send some written suggestions at the request of the Subcommittee that might spell out in a little more detail some of your thoughts as to legislation that would help you in your efforts.

Mr. Thoms, if we can now shift to the diplomatic front for the moment, we are delighted to have you before the Committee as well.

Mr. Haislip spoke at the outset about a meeting that occurred in Brussels, and about a recommendation being drafted which I gather from his description would be pretty weak in terms of doing

something comparable to what we have done in the United States with our own Chemical Diversion Act.

There seems to be some opportunities for us diplomatically to press this point with our allies. Can you share with us what has been occurring either with respect to the U.N. convention, the G–7 summit, the prospective regulation that is going to be considered in Europe later this fall when the ambassadors from the EC meet to take action.

Mr. THOMS. Yes, Senator, I would be pleased to. Where would you like me to start? You gave me quite a menu.

Senator BRYAN. Well, why do we not just do it by chronology? You know the history of this act very well, and we know of some diplomatic efforts. Why do you not just take it chronologically, if you will, what is happening?

Mr. THOMS. Well, why not start with the Houston summit and the lead up to the Houston summit, if I may?

Mr. Haislip mentioned that we in the Department and other agencies of the Government made sure that the chemical issue was one of those issues that our person who did the negotiating at the staff level, known as a "sherpa," had with him all of the time.

We prepared a series of position papers to make sure that he understood what we were trying to do, and recognizing the importance of this issue we tried to move it forward as best we could through first the "sherpa" meetings and then making sure that the issue was one of those items included in the final communique issued following the Houston summit.

So we were very pleased to find out that it was one of those items. It was not, I must say, one of the first items, Senator, but it was included in the final communique.

Senator BRYAN. What was the thrust of the language used in the communique? Just paraphrase that for us, if you would Mr. Thoms.

Mr. THOMS. Yes. The thrust of the language, Senator, was that the seven Governments should organize a task force to take a look at the chemical diversion issue to include the sweep of chemical problems with regard to cocaine, heroin and designer drugs.

The idea is to consult with one another, to conduct a series of meetings, to find out what can be done about the diversion problem, following up on the work that Mr. Haislip and the DEA have been accomplishing since passage of the Chemical Diversion & Trafficking Act of 1988.

Now, we have a mandate from the seven heads of state to go ahead and organize this particular effort. Since we are so thinly staffed in the State Department for this issue, which is highly technical, our feeling at State was that the leadership was best placed in the Department of Justice.

That has happened now, and I know that Mr. Haislip and the DEA will be playing a very strong role in this. My office in the Bureau of International Narcotics Matters will also be as supportive as possible, and we will try to complement one another. But there is more to it than just going through a series of diplomatic meetings. We are interested in results.

I think the actions that were undertaken by the financial action task force following the Paris summit last year, and the series of recommendations that they developed, some 40 in number, provide

a model for those of us who will be involved in the Chemical Action Task Force. So the idea will be to have a series of meetings to look at specific courses of action that all of the countries can take to try to get a handle on this problem of the diversion of chemicals.

Senator BRYAN. I understand the niceties of diplomatic language, but action is the key word here.

Mr. THOMS. Yes.

Senator BRYAN. There seems to be an opportunity that we have, prior to the meeting this fall of the ambassadors, and clearly we need to make that part of an action agenda, not just a discussion. And I do not imply criticism, Mr. Thoms, of you and the State Department, but what can we do to get that elevated to a higher profile?

It seems to me, although the Department of Justice hopefully will be very supportive of these efforts, at least in the ambassadorial rounds, is that not something appropriate for the State Department to weigh in on very heavily and simply point out the evidence, which I find to be very persuasive. There is evidence which you have and which I am aware of that independently corroborates what Mr. Haislip has said. So I do not think there is really any question that this transfer is occurring, in terms of the shipments to Colombia, in particular. Can we not get the ambassadors of those countries that are going to be meeting this fall to, in effect, adopt something that would be comparable to what we have in the United States, so that we have some meaningful control, rather than just a discussion format?

Mr. THOMS. You are absolutely correct, Senator. Action is the name of the game, and that is certainly what we are trying to do. I was pleased to have accompanied Mr. Haislip to Europe in June when we made precisely those démarches in Rome, in Bonn, and also at the EC Commission headquarters in Brussels. So action has already begun along those lines. And Mr. Haislip and my bureau have been in contact as recently as yesterday to talk about what follow-up actions we might take.

Certainly, we feel that there are a number of governments in Europe which really are undecided at this point as to which way to go. I think Mr. Haislip and I are both of the opinion that the German Government has come a very long way on this particular issue. And I was particularly impressed by the vehemence of the position to do something expressed by Foreign Minister Genscher's people when we were in Bonn. So I know very well that the German Government will do something.

I also had occasion last week to meet with two legislators from the Bundestag who were here in Washington from Genscher's party, the Free Democrats. They too are interested in moving ahead. So the Germans I think will be very, very helpful in this regard.

What we have to do is try to target other countries which might be helpful. Mr. Haislip and I are now discussing which governments they may be. Just yesterday I tried to reach my colleague in Paris, who is the number two at our mission, to talk about a trip as soon as the August holidays are over, so that we can identify the appropriate officials in the French Government who have some in-

fluence over the position the French Government would adopt on this particular issue, so that we can talk to them.

It is an ongoing process, Senator. And we certainly intend to take all of the possible diplomatic steps we can this fall before the EC takes action on this particular piece of legislation.

During our discussions in Brussels with EC staff members, they made it clear to us that they are in the position of having to try to come up with a draft regulation which is politically saleable. That is, it tends to be somewhat watered down because it has to be approved by all EC-12 members. And as Mr. Haislip has pointed out, we do not think it is satisfactory at this point. We think it can be strengthened. And that is precisely the message that we hope and plan to carry to Europe this fall.

Senator BRYAN. Mr. Thoms, it is my understanding that the Dutch represent a substantial part of the shipment from Europe to Colombia, and that we certainly could use far greater cooperation from the U.K., from France, from Italy, and from Spain. This is a bipartisan issue. As you know, Senator McConnell has been very much interested, as has Senator John Kerry from Massachusetts, and others. It is something that the Congress wants to work with the administration on.

Do you have any thoughts as to how we can play a more constructive role in terms of elevating the priority that we think that those countries have to attach to that? Because, as has been pointed out, the Congress did not enact this chemical diversion act in 1988 only to impose a competitive disadvantage to American industry, to see that gap, created as a result of the reduced exports, simply filled in Europe, and ultimately not working to solve the problem in terms of the production of cocaine that comes out of Colombia, in particular.

Mr. THOMS. I do not know how much contact you have, Senator, with legislators from European parliaments. Do you have much contact with those gentlemen?

Senator BRYAN. I personally have had only one such contact last November with the German legislator from the Bundestag, but I have not had other contacts. But other members of the Congress do. I suggest that you are indicating that may be a helpful thing to do.

Mr. THOMS. Yes, I find that legislator to legislator is always a very effective channel of communication. I served recently in Mexico City, where we have an annual meeting between our respective legislators. I found that when the legislators get together, quite a bit gets accomplished, and both groups go home and consider things they can do in their respective capitals.

So any opportunity that you might have when you see your counterparts I think would be helpful.

On our part, of course, we carry the message not just for the executive branch, but also the feeling here on the Hill. It is not as though we are just expressing the administration view. I think that many foreign governments recognize the importance that the American Congress plays in foreign policy. And I think that, generally, in well-informed European capitals, the views here on Capitol Hill are known.

So I think the message has gotten across.

Senator BRYAN. Well, I hope so. The President has spoken with some eloquence about the problem of drugs in this country, and rightly so. Clearly, he has an opportunity through private diplomatic channels that do not receive a great deal of publicity in the media to emphasize the importance of this. Because the volume, as Mr. Haislip's charts point out, is increasing rather dramatically. And if we are not going to get the kind of cooperation from them, clearly the well-intentioned focus of the Chemical Diversion Act of 1988 has accomplished nothing. And that is certainly not the purpose that the Congress had in enacting that.

So I hope you would communicate within your own channels the importance that we attach to this.

Mr. THOMS. May I just make one additional point, Senator, with regard to what I perceive to be the growing importance of the drug issue for European countries?

Senator BRYAN. Absolutely.

Mr. THOMS. My bureau, the Bureau of International Narcotics Affairs, launched a diplomatic initiative about eight months ago, following up on the President's national drug control strategy. The idea was to try to establish some sort of a mechanism with the European and other developed countries so that we could have a dialogue with those states on drug issues.

And I am happy to report excellent progress in this area to complement the progress that we had in Bonn in June.

Senator BRYAN. Mr. Thoms, maybe we should interrupt. I have got just two minutes before casting a vote here. Let us stand in recess, and then we will continue and let you finish your statement, and then move on to the next individuals who are going to testify.

The subcommittee will be in recess for 10 minutes.

[Recess.]

Senator BRYAN. We will reconvene the subcommittee meeting.

Mr. Thoms, again, my apology to you. We have little control over these matters. You were about to share a note of optimism with us, so let me have you continue please.

Mr. THOMS. It is always nice, Senator, to share a note of optimism with those of you on the Hill. The note of optimism, and I think significant progress from our standpoint in the State Department, was the successful conclusion of the diplomatic initiative. That is, the President's national drug strategy, which the President introduced last September, called for the establishment of some sort of a means of talking to the developed countries on the drug issue. The issue was at that time, and I believe still is, at the top of many Americans' foreign policy priorities.

The Bureau of International Narcotics Matters sent a senior-level officer on various missions to Europe to talk to the European Governments to see what their views were on the idea of talking about this issue, and to encourage them to try to work cooperatively with the United States to see what we could do in a mutual way about the issue.

Through a series of probes and proddings and also through, I would say, a quickening of interest on the part of the European Governments themselves, who, within the EC–12, formed their own drug coordinating committee, we were successful on the 29th of

June, in a meeting in Dublin, in formalizing this particular mechanism. I was pleased to have accompanied our Assistant Secretary of State for International Narcotics Matters, Melvyn Levitsky, to Dublin for that particular meeting, whereby the informal consultative mechanism was agreed to.

What it consists of, Senator, are two levels. That is, we have a high-level policy tier where we will have an annual meeting, which will be held this fall, probably in Rome, because the Italians are now in the EC presidency, where individuals from countries who hold positions comparable to Mr. Levitsky's, and who can speak authoritatively on drug issues, will meet to discuss the worldwide drug problem and what we can do about it together. Preceding this policy-level meeting will be a series of regional meetings. We have divided the world into six regional groupings, with specific countries chairing certain regional groups.

For example, the Southeast Asia group will be chaired by Japan.

And so these countries and their representatives will meet in Brussels, probably in late September or October, preparatory to the policy-level meeting.

I might mention also that it is not just the EC–12 and the United States, but we decided that the other countries which should be included initially are Australia, Canada, Japan, and Sweden. Plus, you have the EC Commission representatives. Thus, it is a group of 18 who will be initiating this series of meetings.

The idea, though, is not just to meet. The idea is to do things to compare national strategies to ensure that the programs that we are carrying out mutually are complementary, and that we are not getting in one another's way. Certainly, one of those items we would plan to have on the agenda would be the issue of chemical control.

So we now have two vehicles for discussing chemical control. One will be through the consultative mechanism, and the other will be through the chemical action task force.

Senator BRYAN. Mr. Thoms, one last question before we get to Mr. Gonzalez, who has been very, very patient with us, share with us some of the hemispheric negotiations and where we are in terms of any bilateral agreements that we have been able to conclude.

Mr. THOMS. I think you may have the wrong witness for that, Senator. My focus has been on Europe. I can relate that we are making progress in negotiating bilateral agreements with some Latin American countries. I know that we have ongoing negotiations with Ecuador for a chemical control agreement. We also have some negotiations with Colombia.

Maybe Gene can help me here, but I think we have already concluded agreements with Bolivia and Peru. So we are making progress. It has been a joint effort within the executive branch in terms of DEA and State in order to try to conclude these agreements.

Senator BRYAN. Mr. Haislip, would you care to amplify on the comments of Mr. Thoms, and then we will let you go.

Mr. HAISLIP. Just briefly, this is an initiative that was the result of the Cartagena Summit. The State Department has taken the lead in this, with our cooperation and assistance, from the technical aspects. There are agreements negotiated with Peru and Bolivia

and Panama, and pending in Ecuador and Colombia. And I think it is an important initiative for that area. And we are looking at it as an area activity, and it is a good beginning to establish more effective controls in those areas.

Senator BRYAN. We thank both of you gentlemen very much for your testimony, and, Mr. Haislip, for your continued good work. We recognize and we encourage you periodically to come back with us and share with us where you are and what additional help you need. And, Mr. Thoms, I can only emphasize to you the importance that the Congress attaches to getting cooperation from our European allies. This is critical in my view.

And any responsible member of the world community must recognize that this problem is global. And I would hope that no nation, certainly not an ally of the United States, would seek commercial advantage at the expense of furthering the international trafficking in cocaine. That is simply unacceptable in any quarter today, and particularly from an ally. So our European friends need to understand that this is an issue to which we attach great significance and great importance.

And although we welcome their friendship, they need to respond in a very positive fashion to this issue. And the Congress intends to keep pressure on them to do so. And they have an opportunity this fall, and their actions will be, in effect, the benchmark by which they will be judged.

And I thank you very much.

Mr. HAISLIP. Thank you, Senator.

Mr. THOMS. Thank you, Mr. Chairman.

Senator BRYAN. Our next witness is Mr. Ignacio, and I hope I am pronouncing his name correctly, Gonzalez, who serves as an alternate delegate to Chile before the Organization of American States. And we welcome him to the Subcommittee hearing today.

And again, Mr. Gonzalez, I apologize to you, sir, for our rather disjointed hearing today. But there are votes that are important for us as we try to conclude some action here in the Congress this week.

Welcome, and we are delighted to have you here before the Committee.

STATEMENT OF IGNACIO GONZALEZ, CHAIRMAN OF THE OAS GROUP OF EXPERTS ON PRECURSORS AND CHEMICAL SUBSTANCES

Mr. GONZALEZ. Thank you, Mr. Chairman.

I sincerely appreciate the invitation to attend this hearing as the Chairman of the Group of Experts who, under the auspices of the OAS and the Inter-American Drug Abuse Control Commission, CICAD, drafted model regulations for controlling chemical substances used in the manufacture of illegal drugs.

Let me point out that the expert group was made up of specialists named by the member governments to represent them—and I was, as I am now, a diplomat representing the Government of Chile.

OAS actions to harmonize inter-American efforts in the war on drugs, and particularly in the control of precursor chemicals, began

in 1986 with the approval of the Rio de Janeiro Action Program, and the establishment of CICAD, both favoring strict control over the manufacturing and international sales of such substances. Concern about the control of such chemicals is easily explained. Many experts believe, and rightly so, that effective control over transactions involving these products, and with respect to the persons or organizations involved in such transactions could, in a relatively short time, constitute a concrete advance in the worldwide struggle against drugs, as these chemicals are an indispensable requirement for the production of illegal drugs.

The Vienna Convention and the control of chemicals. The approval in Vienna in 1988 of the United Nations convention against the illicit traffic in drugs and psychotropic substances established an important benchmark. Article 12 obliges the signatory states to adopt internal measures to avoid allowing the chemical substances cited to be diverted to the manufacture of illicit drugs. Further, it obliges international cooperation.

Note that Article 12 establishes commitments general in nature to be developed by each state in accordance with its internal legislation, and that its application extends only to the 12 chemical substances listed in tables 1 and 2 of the convention.

Some months after the Vienna Convention was signed, CICAD called together a group of experts, chemists, lawyers, law enforcement officers, and, as in my case, diplomats, to draft a model standard to harmonize the legislation of American states in this matter. With the cooperation of Dr. Irving Tragen, CICAD Executive Secretary, our group worked from October 1989 through March 1990. The model regulation was submitted to the meeting of the Inter-American Ministers of Justice in Ixtapa, Mexico, this April, and enthusiastically approved by the OAS 20th General Assembly in Paraguay this June. The document is now in the hands of the Governments of the American republics for study and eventual adoption.

Content of the Model Regulations. In essence, the regulation is a recommendation. Adoption by OAS member states would allow the establishment of a harmonized inter-American juridical regime to control national and international transactions of chemical precursors or other specified chemicals, machinery and elements utilized for the manufacture of drugs.

The regulations contain definitions not included in the Vienna Convention. In addition, they established standards which are more strict than those of the convention. The regulations increased the number of substances to be controlled substantially above the six chemical precursors and six essential chemicals specified in the convention. The regulations include 15 precursors, that is those chemicals which with a minimum of processing are absorbed into the drug itself, and which have very limited, although legitimate, industrial uses.

The regulations also expand the number of essential chemicals to be controlled to 21. These chemicals are solvents, reagents and catalysts critical to the illicit manufacture of drugs, but also have extensive legitimate application in the paint, lubrication, cosmetic, explosives and other industries.

The regulations oblige all who manufacture, trade or use precursors to obtain an express permit from the authorities, a permit which might be refused. No license is required for essential chemicals, only a system of registration. The regulations establish the obligation for Customs identification and classification of the controlled chemicals and the use of that identification for statistical purposes, and on all documents, domestic or international, related to such products.

Further, the regulations require all who traffic in controlled chemicals to maintain; first, an inventory of the existence of these products, materials and equipment; and second, a registry of the movements all these elements undergo in reference to reports required of those who traffic in controlled substances, machinery and equipment.

The OAS document contains two interesting mechanisms.

Domestically, the obligation to immediately inform the authorities when there is reason to believe that the elements may be utilized for the manufacture of illegal drugs. This standard also applies to irregular or excessive loss or disappearance of such elements.

Internationally, after verification of such information, authorities must notify the country of origin, destination or transit, providing them with the maximum information possible.

Those who import/export or transfer precursors must obtain a special permit. This stemmed from other authorizations contemplated in the country's foreign trade regime.

Authorities may submit operations related to some or all controlled essential chemicals to the same regime or to a system of prior notification.

The regulations also contain an article on criminal offenses. Nevertheless, on this point it was preferred not to depart from the Vienna Convention due to the differences existing in the penal legislation of the various American States.

Of course, the OAS experts preparing the regulations did not exhaust the subject. Conscious of the amplitude of the task, they formulated a series of suggestions that serious penal, civil and administrative sanctions be established for those who violate the law, that national and international communication systems for the exchange of information be broadened, that vigilance be improved in border areas and free trade zones, that the subject of storage and low-risk destruction be studied, as well as the reexport of chemical substances.

Finally, I should like to mention that, above all, the OAS model regulations represent a successful exercise in consensus, not only between countries in whose territories there are consumers, refiners or producers of illicit drugs and chemicals, but also between experts whose fields of competence embrace diverse areas.

During the seminar in Brussels, information and opinions were exchanged particularly among the American and Western European countries. Those two regions gave more evidence of concern and progress in their attempts to harmonize legislation than other geographic areas represented. As the final report of that seminar shows, the viewpoints of those countries with respect to the subject of concern differ considerably.

All the American republics firmly supported the necessity of applying Article 12. In addition, they insisted on going beyond the commitments established by that article, particularly in reference to the number of chemical substances to be covered, and for controls over international commerce in those substances, in view of their use in the manufacture of cocaine.

That decisive attitude was again shown after the presentation Dr. Tragen and I made of the inter-American model regulations. The reception was serious but reserved from such countries as those of Western Europe whose outlook differs from ours.

Those countries recognize that as significant exporters of chemicals, they have a larger responsibility in the struggle against illicit traffic in precursors. However, their view of the objective of that control and of the methods for carrying it out differ considerably from the inter-American view.

The countries of the European Community do not favor increasing the number of substances to be controlled. They do not wish to prejudice their chemical industry which they believe must be heard before any decisions are taken which might affect them. Of course, any individual country may control a greater number of chemicals than those contemplated in the convention.

While the European countries agree with us as to the treatment to be given to precursors of heroin, they do not agree to extend such a system to essential chemicals massively used in the manufacture of cocaine, the drug which affects our countries most dramatically.

The differences between the American republics and the European Community are reflected in the final report of the seminar. However, it is positive to recognize that the same report calls for the urgent harmonization of the provisions of the Vienna Convention by bilateral or multilateral agreements, and cooperation between the EEC and the OAS.

Perspectives: In my opinion there is reason to be optimistic with respect to this important subject.

First, the American republics are clearly conscious of the urgency of real and effective control of chemical products used to produce illicit drugs. Several countries have already issued legislation on the subject and all of them have warmly welcomed the OAS regulations. There can be no doubt that without chemicals there are no drugs.

Second, international cooperation in the Western Hemisphere has begun to play a significant, growing role, particularly in the area of information exchanges, customs and police techniques, border cooperation, reciprocal and judicial assistance, et cetera.

To be successful, however, it is indispensable in my view to remember the following essential precepts; first, all Governments must make a maximum effort in this struggle which affects the entire planet. Lack of commitment by any can seriously prejudice the rest.

Second, international cooperation has to be given freely, without being imposed, and with full respect for the sovereignty of the States. Otherwise, there will be no useful or efficient international cooperation.

Finally, the countries of the Americas, especially those of Latin America, need the understanding and cooperation of the chemical exporting countries outside the region. The effectiveness of controls in the Western Hemisphere will be greatly enhanced if our partners on other continents control their exports.

Thank you, Mr. Chairman, for the opportunity to make a presentation to this Subcommittee. If there are any questions I would be happy to answer them.

Senator BRYAN. Mr. Gonzalez, we thank you very much for your appearance, your testimony, and for your good work in this area. I am informed that you are joined here by your family today. If you would like to introduce them and have them stand, we would be delighted to welcome them as well.

Mr. GONZALEZ. Thank you very much.

Senator BRYAN. It looks like that is your wife back there and perhaps a daughter and a son. Am I correct? Might we have their names for the record, Mr. Gonzalez? If you would introduce them to us we would appreciate that.

Mr. GONZALEZ. Thank you very much. The name of my wife is Monica, my daughter Maria de La Luz, and my son Javier.

Senator BRYAN. Thank you very much. It is nice to have the Gonzalez family with us today. Thank you very much.

Mr. Gonzalez, I have just a couple of questions. You made the distinction in your testimony between the treatment of essential and precursor chemicals. I think I might know what your answer is. What was the rationale for making the distinction in terms of treatment between those two categories, the precursor chemical and the essential chemical?

Mr. GONZALEZ. Mr. Chairman, I think that the reason for the distinction is precisely the finality of those substances. In the case of precursors, we know that those kinds of substances are used only to produce drugs. In this case the possibilities to use those precursors in legitimate uses are very, very reduced. But in the case of the essential chemicals, we know perfectly well that those substances have very important legitimate uses in different areas of industry. So we cannot damage the legitimate interest of the persons or the organizations engaged in production of essential chemicals establishing the same strict controls that we have considered for precursors.

Senator BRYAN. Now as I understand it, when you all met in Mexico, I believe it was, in April of this year, you adopted the provisions and at this point it is up to the individual republics as to whether or not they adopt them internally within their own country. Am I correct on that, Mr. Gonzalez?

Mr. GONZALEZ. In fact, Mr. Chairman, the Model Regulations were presented to that meeting at a ministerial level and the Ministers of Justice who met in Ixtapa, Mexico approved the Model Regulations, and last June this document was approved as well by the General Assembly of the OAS, the main political organ of our organization. Right now the document is in the hands of our Governments, and in accordance with our fundamental, domestic legislative systems, our Governments have to implement these Model Regulations in their own systems, at least seven of our countries have approved legislation very similar to the Model Regulations.

We hope that the rest of the hemisphere is going to do the same thing in a little while.

Senator BRYAN. I take it that you are encouraged by the reaction of the ministers who approved, and one could reasonably expect that the individual governments, in their own legislative systems, will ultimately approve something very similar to what you all agreed to in Mexico?

Mr. GONZALEZ. I guess so, Mr. Chairman. I guess so.

Senator BRYAN. One question that I also would like to ask you is what do you think that we can do from a hemispheric point of view to encourage the Europeans? You heard the testimony of Mr. Haislip and the comments of Mr. Thoms from the State Department in terms of the difficulty that we are having with Europe exporting large quantities of these chemicals, essential and precursor, to South America, particularly to Colombia. What, from your perspective, can we do to be more effective in working with the Europeans?

Mr. GONZALEZ. Mr. Chairman, I think that a well constituted position of the hemisphere, a very firm position of the American countries, has to have a very important impact on the Western European countries' opinions. We need not only a firm attitude to win by our countries, we need a very firm, clear position by all on the American continent, to inform and convince our partners, the Western countries of Europe, to share our preoccupations, our concerns, on these important matters.

I think if the European Community, especially, observes that the American countries have a very firm position, a very strong position, in this matter, they are going to take some measures and to pass legislation, as we have done.

Senator BRYAN. Mr. Gonzalez, one last question. You mentioned seven countries to date which have adopted regulations very similar to those which were adopted by the ministers in Mexico.

Which countries are those, if you have those handy?

Mr. GONZALEZ. As far as I know, it is the case with Argentina, Brazil, Mexico, Ecuador, Colombia, Peru and Bolivia.

Senator BRYAN. I thank you very much. We certainly appreciate having you here today. We appreciate your good work done with representatives of the United States Government. Mr. Haislip was very generous, and quite correctly so, in acknowledging the cooperation that he has enjoyed from you and from other representatives of the OAS. It is always a real pleasure to have your family here because what we are doing in the Congress and what you are doing in the diplomatic service obviously is not just for our time and our generation, but it is for the young people such as in your family and all of our families that we are very much concerned about this problem.

We are delighted to have them with you here today and to have a chance to welcome them as well.

We thank you very much, Mr. Gonzalez.

Mr. GONZALEZ. Thank you very much, Mr. Chairman.

Senator BRYAN. Our final witness this afternoon will be Mr. Peter Andreas of the Institute for Policy Studies here in Washington, DC.

Mr. Andreas, you are indeed a patient man. As I have said to each of our other witnesses, we are sorry for the disjointed nature of this hearing today. But these votes do come and we are expected to respond.

So let me just tender the floor to you and invite your testimony and say that we are pleased to have you here with us today.

Mr. ANDREAS. I will try to be brief, Senator.

Senator BRYAN. Well, there is no penalty. You have been very patient with us and we have that obligation with you. So you take whatever time you feel is necessary.

Your full text, of course, will be made a part of the record.

STATEMENT OF PETER ANDREAS, INSTITUTE FOR POLICY STUDIES

Mr. ANDREAS. Thank you.

My name is Peter Andreas. I am a Research Associate at the Institute for Policy Studies.

Much of my work focuses on the Andean cocaine industry. I appreciate this opportunity to comment on this critical chemical link in the cocaine production chain.

I would like to point out what may be self-evident to many of you, that the Colombian cocaine industry is vitally dependent on essentially two foreign inputs: coca paste from Peru and Bolivia; and processing chemicals from Europe and the United States.

However, of the two, the chemical supply is far more vulnerable, since it is harder to disguise and transport and may be subject to government controls. In other words, it is much easier to intercept a shipment of acetone than a load of coca paste or refined cocaine.

I should note that U.S. intelligence reports have documented this extreme dependence and vulnerability at least as far back as 1981. A DEA investigation called Operation Steeple, reported in December, 1981:

> The Drug Enforcement Administration can effect major damage to the Colombian cocaine processing industry through the denial of selected precursors. * * * If the Drug Enforcement Administration can successfully cut the availability of these precursor substances through timely, coordinated action, the coca processing industry in Colombia could founder.

Unfortunately, U.S. drug control strategies in the 1980s focused almost exclusively on stopping the flow of cocaine into the country while doing virtually nothing to stop the flow of chemicals going out. Thus, as U.S. chemical exports boomed, so did imports of cocaine made with these very same chemicals.

In short, we have been providing the ingredients of our own poison.

It took until November of 1989 for current export regulations to be fully in place. The sad truth is that we are now at the point where we should have been perhaps ten years ago. We obviously have a lot of catching up to do.

Implementation of the Chemical Diversion and Trafficking Act has led to some very revealing findings. For example, a DEA investigation has found that three-fourths of U.S. regular customers in Colombia were illegitimate. Some of these chemical importers did not even have addresses.

Under the new law, exports to these customers have been discontinued, resulting in a 50 percent reduction in U.S. exports of cocaine processing chemicals to Colombia. This is just in a few months.

It is truly shocking that American companies required the force of law before stopping exports to these customers. It is alarming that U.S. companies apparently do not even make a minimal effort to verify the legitimacy of these clients before submitting their names for DEA approval.

Furthermore, while industry representatives, primarily from the Chemical Manufacturers Association, have repeatedly stated support for the new regulations, they initially lobbied to water the legislation down. In 1987 they asked that only "precursor" and not "essential" chemicals be listed. If their request had been adopted, today's regulations would not apply to chemicals such as MEK. U.S. investigators reportedly estimate that up to 90 percent of MEK is diverted for cocaine processing in Colombia.

While the DEA has made some impressive progress so far, much more obviously can be done. Unfortunately, the Federal drug budget reflects other priorities. Roughly $42.6 million of an $8.8 billion drug budget goes toward curbing chemical diversion. This is a microscopic fraction: about 0.5 percent of the overall budget.

Meanwhile, the Pentagon's share of the drug control budget will increase to $1.2 billion next year.

Obviously, any sincere effort to curb chemical diversion demands a far greater commitment. At a minimum, this means providing adequate resources, strengthening current controls, and making chemical manufacturers much more accountable.

But as we have heard from testimony from Mr. Gene Haislip, these measures will fail unless the European Economic Community adopts similar, mandatory legislation.

Dramatic increases in European chemical supplies have more than made up for the reduction in U.S. chemical exports to Colombia.

Some European countries would like to pretend that voluntary measures will solve the problem. However, we have already learned the hard way and the long way that counting on voluntary corporate self-restraint is foolish. We simply cannot afford for Europe to take as long as we did in waking up to the urgency of this problem.

I have four brief recommendations before I conclude.

First, chemical exporting countries should adopt a standardized legislative approach. For example, the few regulations that are in place in Europe usually do not apply to "essential" chemicals, only to "precursor" chemicals.

Second, the DEA clearly needs more than 15 days to verify the legitimacy of new customers. This could be expanded to a minimum of 30 days.

More resources and manpower devoted to this problem would obviously help a lot as well.

Third, special measures should be taken to control the export of potassium permanganate, the only cocaine processing chemical that is nonsubstitutable.

Fourth and most importantly, a thorough assessment must be made to determine the legitimate needs of Latin American chemical importing nations. This data should then be used to set limits on export levels.

In conclusion, I want to emphasize that we should not fool ourselves into thinking that curbing the chemical flow will solve the drug problem. It is obviously only a small part of a solution to a drug crisis which, at its root, is a demand-side problem here at home.

The cocaine industry, as we have learned from the past, can easily adapt. In this case, perhaps it will develop new processing methods. There are already indications that chemicals are being recycled in some cases.

Corruption and smuggling of chemicals will always be a problem. Also, the cocaine industry can easily expand to other countries or, perhaps, even to other continents. These obstacles are reminders that we cannot find the cure to our Nation's drug habit in the jungles of South America. Nevertheless, we have an obligation to not be part of the chemical diversion problem. Otherwise, we have no one to blame but ourselves for providing the fuel that keeps Colombia's cocaine factories running.

[The statement follows:]

Statement of

PETER ANDREAS
Research Associate
Institute for Policy Studies

Mr. Chairman: My name is Peter Andreas. I am a Research Associate at the Institute for Policy Studies. Much of my work focuses on the political economy of the Andean cocaine industry and U.S. efforts to suppress it. It is within this economic context that I have viewed the problem of chemical diversion and trafficking. Thank you for the opportunity to comment on this important link in the cocaine production chain.

From a production point of view, Colombia's illicit cocaine industry is dependent on two essential foreign inputs: 1) raw coca paste from Peru and Bolivia and 2) vast quantitites of chemicals from the United States and Europe to process this paste into refined cocaine. Of the two, the chemical supply is far more vulnerable, since shipments are difficult to disguise and transport and can be subject to government controls--both at the point of export and at the point of entry in Latin America. In other words, it is much easier to intercept a shipment of acetone or ether than a load of coca paste or refined cocaine.

U.S. intelligence reports document the cocaine industry's extreme dependence on foreign chemical supplies at least as far back as the early 1980s. As one DEA study, called "Operation Steeple," reported in December 1981:

"A major vulnerability to Colombia's traditional status in the world cocaine trafficking community is its dependence on both the importation of acetone and ether..." The report concluded that "The Drug Enforcement Administration can effect major damage to the Colombian cocaine processing industry through the denial of selected precursors...If the Drug Enforcement Administration can successfully cut the availability of these precursor substances through timely, coordinated action, the coca processing industry in Colombia could founder."

Nevertheless, U.S. drug control strategies in the 1980s focused almost exclusively on stopping the flow of cocaine into the country, while doing virtually nothing to stop the flow of chemicals going out. Consequently, as exports of U.S.-made chemicals boomed to Latin America, so did imports of cocaine made with these very same chemicals. Although representatives of the U.S. chemical industry have denied the magnitude of the diversion problem, the evidence is inescapable. CIA and DEA studies have shown that the amounts of U.S. chemicals exported to the region in the 1980s far exceeded legitimate industrial needs. According to U.S. investigators, as much as 90 percent of some chemical exports to Colombia have wound up in the wrong hands. In short, we've been providing the ingredients of our own poison.

Unfortunately, it took until November of last year for any mandatory export controls at all to be fully in place. The bitter truth is that we have only now reached the point where we should have been at least ten years ago. We obviously have a lot of catching up to do.

With the implementation of the new law, called the "Chemical Diversion and Trafficking Act," a DEA investigation found that

three-fourths of regular Colombian customers of U.S. chemical exporters were illegitimate. Some of these chemical importers wre clearly fronts, often lacking even an address. In just a few months, the banning of these customers has already reduced U.S. exports of precursor and essential chemicals to Colombia by nearly half.

It is disgraceful that U.S. companies required federal legislation before curbing their exports to these customers. The DEA's inquiries sometimes requied no more than a phone call to raise suspicions. It is alarming that the U.S. companies that submitted these names to the DEA apparently did not take even minimal steps to check the authenticity of their customers.

Unfortunately, rather than accept responsibility for such negligence, the response of industry representatives has been to largely deny any wrongdoing. In testimony before this subcommittee last February, one spokesperson for the Chemical Manufacturers Association went so far as to say "I would not be surprised" if the chemicals being diverted come "totally from other countries." This "head in the sand attitute," as Senator Richard Bryan (D.-Nevada) called it, conveniently and irresponsibly passes blame on to others.

Moreover, while the chemical industry (represented primarily by the Chemical Manufacturers Association) has repeatedly stated their support for the new chemical regulations, they initially lobbied against the stiffer apects of the legislation and in October 1987 requested that "essential" chemicals not be included in the new law. If their revisions had been accepted, chemicals such as methyl ethyl ketone (MEK) would not be subject to controls. U.S. investigators in Bogota reportedly estimate that as much as 90 percent of MEK is diverted for cocaine processing in Colombia.

While the new regulations are a good start and have already had some impressive results, the magnitude of the problem requires a much greater effort. Part of the problem is simply a lack of resources. Funding and manpower are extremely limited for the massive paperwork and lengthy investigations needed for the DEA to adequately track exports and check customers. Giving the DEA only 15 days to investigate new customers is an overwhelming task, especially in Latin America. As a U.S. embassy spokesperson in Bogota has said, "we have to drop everything we're doing to track down the shipment in time." Current regulations require that companies make records available to the DEA on all exports of the specified chemicals. According to one chemical company spokesperson, "They [the DEA] may end up with rooms full of this information and nobody to look at it."

At an international drug enforcement conference in April 1989, President Bush promised that "whatever needs to be done will be done" to stop the diversion of chemicals. But despite these hopeful words, his drug war agenda reflects other priorities, such as expanding the role of the military, building more prisons, providing increased military and police assistance to producer countries, and escalating what have proven to be ineffective and extremely costly border interdiction programs.

Of the administration's 1990 $8.8 billion drug control budget, only about $42.6 million is devoted to controlling chemical diversion. This represents a microscopic fraction of the total budget: about 0.5 percent. Meanwhile, the Pentagon's share of the drug budget is expected to more than double to $1.2 billion next year. In terms of cost effectiveness alone, this approach defies logic. In the words of one senior U.S. diplomat in Colombia, "it's a heck of a lot easier to intercept a tanker truck of acetone than a few dozen kilos of cocaine."

This reality should help us redefine our priorities in the war on drugs. At a minimum, this requires providing adequate resources, strengthening current controls, and making chemical manufacturers more accountable. But these efforts will fail to curb the chemical flow if the European Economic Community does not adopt similar mandatory legislative controls over their exports of chemicals to Latin America. A 438 percent increase in the supply of cocaine-processing chemicals to Colombia last year, mostly through West German brokers, has more than made up for the reduction in U.S. supplies.

Some European countries, particularly the Netherlands and Great Britain, would like to pretend that "voluntary efforts" will solve the problem. But we have already learned the hard and long way that strategies that rely merely on voluntary corporate self-restraint fail miserably. The following measures are minimum requirements for an effective chemical diversion control program:

1) A standardized legislative approach should be taken by all chemical exporting countries. This would mean signing the U.N. Convention and adopting regulations at least as strong as those in the United States. Current European controls are far too weak because they only apply to "precursor" (not "essential") chemicals, and authorities lack the power to seize shipments. If necessary, the United States and Latin American countries should consider banning chemical imports from those European countries that fail to adopt such a standardized legislative approach.

2) A thorough assessment should be made to determine the legitimate industrial need for "precursor" and "essential" chemicals in Latin America. This data should then determine chemical export levels. Since chemical exports are the most difficult to control once they reach Latin America, it is essential to set limits on exports based on verifiably legitimate needs.

3) Current regulations should be strengthened. Chemical companies should be held more accountable for who they do business with and for controlling the distribution of their products. Furthermore, giving the DEA only fifteen days to investigate new customers is an overwhelming task, especially with limited staff and resources. A 30 day verification period, more staff and resources, and stiffer penalties to hold companies accountable are critically needed.

4) Special measures should be taken to control the export of potasium permangatate--the only cocaine processing chemical which is non-substitutable. Interestingly, Peru and Colombia absorbed 88.7% of U.S. potasium permangate exports to Latin America--an unusually high figure.

Curbing the flow of "precursor" and "essential" chemicals is no easy task and is ultimately only part of the solution to a drug crisis which at its root is a demand-side problem here at home. Even if official chemical exports are dramatically reduced, smuggling and corruption will always be a problem. Moreover, although the cocaine industry is now dependent on foreign chemical supplies, some of these chemicals may soon be produced domestically. Hoechst, Dow, and BASF are building a major chemical production complex in Cartagena, which is scheduled to begin operating in 1993. I have no information on whether or not this facility will produce any of the listed "precursor" or "essential" chemicals.

Furthermore, the cocaine industry adapts easily. New processing methods may be developed, such as recycling chemicals (which is apparently already happening to some degree) or using more readily obtainable substitute chemicals. Finally, the cocaine industry has enormous potential for expansion: there is no reason to believe cocaine production cannot move to other countries or even other continents. These obstacles to curbing supply should serve as a reminder that the major stimulus behind the international narcotics trade is America's enormous demand for drugs. Any genuine and long-lasting solutions to the drug crisis are not going to be found in the jungles of South America. Nevertheless, we have an obligation not to be a part of the chemical diversion problem. As long as these chemicals are easily available, we have no one to blame but ourselves for providing the fuel that keeps Colombia's cocaine factories running.

Senator BRYAN. Thank you very much, Mr. Andreas.

I believe implicit, if not explicitly stated, in your testimony is you would share generally the perspective shared by Mr. Haislip that exports of American chemicals, both essential and precursor, to Colombia have declined——

Mr. ANDREAS. That's right.

Senator BRYAN [continuing]. Since the effective date of the Chemical Diversion Act, and that, as a corollary to that, exports from Europe seem to be skyrocketing.

Is that your perspective?

Mr. ANDREAS. Yes it is. It is a reflection of both the failure and the success of the U.S. regulations.

Senator BRYAN. The two sides of the coin, then.

Now, you indicate in one of your recommendations that if we could standardize our legislative framework and our regulations, obviously that is very difficult to do. You are dealing with sovereign governments not only in this hemisphere but in Europe. But how do we do that?

Mr. ANDREAS. I understand that you and Senators Kerry and McConnell have introduced a bill which certainly would give many countries a strong incentive to do just that.

I lack both the legal and diplomatic expertise to make specific suggestions for creating such legislation. I can only point out the initial needs for a standardized approach—it's up to you lawyers and diplomats to do the rest.

Senator BRYAN. I take it that, in terms of the allocation of our resources, one of the points that you make, both in your oral testimony and your written testimony is that we need to redirect more resources into the chemical diversion program at DEA and at other levels of the government.

Am I correct in that?

Mr. ANDREAS. That is correct. The logic of the policy to date has been to focus virtually exclusively on stopping the drug itself, as opposed to stopping the chemicals that go into making the drug.

This is an obvious flaw in the strategy, but it has been going on for many years. In terms of resource allocation, what is devoted to stopping the chemical supply is microscopic in comparison to what is being spent on stopping the drug supply. This continues even though DEA investigators in the field have shown that strategically it is much easier to stop the chemicals than the drugs themselves.

Senator BRYAN. So, to use the jargon that we frequently hear on Capitol Hill, you think we may get a bigger bang for our buck if we move some of those resources from other drug control strategies that have been taken internationally and focus more of the resources on the diversion program?

Mr. ANDREAS. That's right.

On the supply side, that is one of the best uses of our resources. But I would emphasize that, ultimately, we must find our solutions here at home. The fact that 90 percent of drug addicts who voluntarily seek treatment, can't get it because of inadequate federal spending is appalling. However, of the measures taken on the supply side, one of the most effective ones can be controlling chemical diversion. We have an obligation, even though it won't solve the

drug problem, to make sure that our chemicals from the United States are not facilitating drug production.

Senator BRYAN. To buttress your argument, is there any indication that the price of cocaine on the street in the United States has increased as a result of the effective actions taken under the chemical drug diversion program here in the U.S.? Or has the importation of these chemicals from Europe offset any of the chemicals which are now denied as a result of limited exports from the United States?

Mr. ANDREAS. There are indications that prices have gone up slightly in various cities around the country. However, it is too early to tell what the long-term trend will be. Certainly the price is still much lower than the price, say, in 1980.

In the 1980s, we witnessed an 80 percent decline in the price of cocaine and a dramatic boost in the purity of the drug. So, whatever gains have been made in the short-term have a lot of making up to do before we even get back to the starting point of when the crisis began.

Senator BRYAN. I take it that the supply and availability on the street has a direct impact as to the cost. To the extent that it is more difficult to get, the price goes up; and, conversely, to the extent that it is more available, the price goes down.

Mr. ANDREAS. I should point out that the more the price goes up, the more cocaine profits go up as well.

Furthermore, there are some indications that there is a little hide and seek going on, in the sense that cocaine supplies are being stockpiled in some areas, causing prices to rise.

Senator BRYAN. Having reviewed the Chemical Diversion Act of 1988 and having witnessed its operation since November of 1989, when it became effective, do you have any suggestions to us as to how it could be more effective? Are there areas in which the Congress could strengthen the provisions?

You did mention the time period, as I recall, as one of your specific recommendations, and that you thought 15 days was too short a time. You may recall that Mr. Haislip testified that he thought additional flexibility could be necessary—that is, there are certain regions of the world which, to the best of our knowledge, are not a problem in the sense of the clandestine laboratories manufacturing this product and exporting it to the United States, and those are areas where more flexibility in terms of the paperwork and the process might be appropriate; and, conversely, in those areas that we know this activity is occurring—and, indeed, his estimate was 90 percent comes from Colombia—that here we ought to have the ability to impose more stringent requirements in terms of our own Chemical Diversion Act.

Would you agree or disagree with his approach?

Mr. ANDREAS. I would certainly agree.

I am impressed with what minimal legislation has accomplished in a very short period of time with limited resources and manpower.

What I would suggest at a minimum is that the DEA be given some breathing space to be able to verify the legitimacy of new customers. Various officials dealing with this problem have often said that if they get a few new customer requests a week, that's man-

ageable; but they will be overwhelmed with paperwork if they get too many requests. If one could imagine rooms piling up with papers without anyone really being able to look at those papers, it is not very useful information.

So, not only should the legislation be strengthened—and by this I mean increasing the time, increasing fines, and being able to target particular countries—but we should also provide adequate resources to give teeth to the law, so you can have people actually enforcing it.

Senator BRYAN. Mr. Haislip also pointed out that he was concerned, although they have not been able to authenticate this, that there was concern about what appears to be a rising level of exports to three countries in particular, outside of Colombia: Ecuador, Venezuela, and Brāzil. The inference here is that those quantities are far greater than industrial growth and development would suggest could legitimately be required.

Do you have any insight into that?

Mr. ANDREAS. It proves the point that you need mechanisms to verify the legitimate chemical import needs of a region and then base your exports on that data. If you clamp down on exports to Colombia, then Ecuador becomes a back door. Many of the cocaine processing labs in Southern Colombia are actually closer to the capital and ports of Ecuador than they are to Colombia's port cities of Barranquilla and Cartegena on the northern coast.

This is why we have to evaluate the legitimate needs of the region as a whole. It is not surprising that exports to Ecuador have gone up significantly. It reveals both the failure and the success of the U.S. policy.

The DEA has concentrated much of its investigative efforts and resources on the chemical flow to Colombia. Part of the reason that exports have increased to Colombia's neighbors is because there has not been enough attention given to those countries due to a lack of time and resources.

Senator BRYAN. Mr. Andreas, we certainly appreciate very much your testimony and hope that you will have occasion to come back before us from time to time to share with us any additional observations that you might have.

To all who attended the hearing, we appreciate your attendance today.

The subcommittee will stand in adjournment.

[Whereupon, at 4:25 p.m., the subcommittee adjourned, to reconvene upon the call of the Chair.]

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